



October 20, 2014

Joan Sparks
President
Plaza Beauty School
4682 Spottswood Avenue
Memphis, TN 38117-4822

UPS Tracking # 1ZA879641395154968

RE: **Final Program Review Determination**
OPE ID: 01044700
PRCN: 201220727814

Dear Ms. Sparks:

The U.S. Department of Education's (Department's) School Participation Division – Kansas City issued a program review report on September 19, 2012 covering Plaza Beauty School's (Plaza) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2010-2011 and 2011-2012 award years. Plaza's final response was received on July 16, 2013. A copy of the program review report (and related attachments) and Plaza's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Plaza upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

Due to the serious nature of one or more of the enclosed findings, in the normal course, this FPRD would have been referred to the Department's Administrative Actions and Appeals Service Group (AAASG) for its consideration of possible adverse action (e.g. fine). Since Plaza is no longer participating in the Title IV programs, this FPRD will not be referred at this time; however, should Plaza apply for reinstatement in the future, in addition to meeting all other requirements, this matter will need to be addressed. Please note that the appeal instructions contained herein apply only to the appeal of the financial liabilities established in this final program review determination.

Federal Student Aid

AN OFFICE of the U.S. DEPARTMENT of EDUCATION

United States Department of Education

Federal Student Aid

1010 Walnut Street Suite 336

Kansas City, MO. 64106-2147

This FPRD contains one or more findings regarding Plaza's failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485(f) of the HEA, 20 U.S.C. § 1092(f), and the Department's regulations in 34 C.F.R. §§ 668.41 and 668.46. Since a Clery Act finding does not result in a financial liability, such a finding may not be appealed.

The total liabilities due from the institution from this program review are \$2,677.

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendix B also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the September 19, 2012 program review report. If Plaza wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Plaza receives this FPRD. An original and four copies of the information Plaza submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

Plaza's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file

review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and

(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Plaza's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(c)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact John Nading at 816-268-0414. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Ralph A. LoBosco
Division Director

Enclosure:

Protection of Personally Identifiable Information

Program Review Report (and appendices)

Final Program Review Determination Report (and appendices)

cc: Ms. Dana Marino, Financial Aid Administrator
National Accrediting Commission of Career Arts and Sciences
TN State Board of Cosmetology

Prepared for

Plaza Beauty School

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

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OPE ID 01044700
PRCN 201220727814

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Final Program Review Determination October 20, 2014

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A. Institutional Information

Plaza Beauty School
4682 Spottswood Avenue
Memphis, TN 38117-4822

Type: Proprietary

Highest Level of Offering: Non-degree, One year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS)

Current Student Enrollment: 161 (2011/12)

% of Students Receiving Title IV, HEA funds: 92 percent (2011/12)

Title IV, HEA Program Participation (G5):

	2011/12 Award Year
Federal Pell Grant Program	\$562,842
Federal Direct Loan Program	\$867,939

Default Rate FFEL/DL:	2009	13.2 percent
	2008	10.1 percent
	2007	8.5 percent

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Plaza Beauty School (Plaza) from February 27, 2012 to March 1, 2012. The review was conducted by Mr. Roy Chaney and Ms. Jenny Hendrickson.

The focus of the review was to determine Plaza's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of Plaza's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010/11 and 2011/12 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 25 files were selected based on the existence of Title IV credit balances or Title IV disbursement issues. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on September 19, 2012.

On September 23, 2014, the Department notified Plaza that the Secretary of Education has determined that Plaza is unable to meet its responsibilities under its provisional program participation agreement. The Department revoked Plaza's provisional certification based on a September 15, 2014 notice from the National Accrediting Commission of Career Arts and Sciences (NACCAS) reporting the withdrawal of Plaza's accredited status, effective September 15, 2014. Accreditation by a nationally recognized accrediting agency, such as NACCAS, is one of the statutory requirements that an institution must meet in order to be eligible to participate in the programs authorized under Title IV of the HEA. 20 U.S.C. §§ 1001(a)(5), 1002(b)(1)(D), (c)(1)(B). When Plaza lost its accreditation, it became ineligible to participate in the Title IV, HEA programs since it no longer met the definition of a Title IV eligible institution.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Plaza's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Plaza of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings 2-8, 10-13, and 15-18

Plaza has taken corrective actions to resolve findings 2-8, 10-13, and 15-18 of the program review report; however, the institution failed to provide a complete response for these findings. However, given that Plaza lost its eligibility to participate in the Title IV, HEA programs effective September 15, 2014; these findings may be considered closed by the Department. A copy of Plaza's response is attached as Appendix C. Findings requiring further action by Plaza are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing resolution of the finding.

Finding 19. *Failure to Properly Develop and Distribute Annual Campus Security Report*

Citation Summary: *By October 1 of each year, the institution must publish and distribute its annual campus security report. It must be distributed to all enrolled students and current employees directly by publications and mailings that include: (1) a statement of the report's availability; (2) a list and brief description of the information contained in the report; (3) the exact electronic address (URL) of the Internet or Intranet Web site at which the report is posted, and (4) a statement saying the institution will provide a paper copy upon request. If an institution chooses to fulfill the distribution requirement by posting the crime report on an Internet or Intranet Web site, an individual notice of such posting must be distributed to each student and current employee. Upon request, an institution must provide its annual security report to a prospective student or prospective employee.*

In general, Federal regulations require that an annual security report contain:

- *Crime statistics, as defined in Federal regulations;*
- *A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;*
- *A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities;*

- *A statement of current policies concerning campus law enforcement that addresses the enforcement authority of security personnel, encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics;*
- *A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others;*
- *A description of programs designed to inform students and employees about the prevention of crimes;*
- *A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution;*
- *A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws;*
- *A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws;*
- *A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HIEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA;*
- *A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.*

When compiling the campus security report an institution must, among other requirements, report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of specific types of crimes that are reported to local police agencies or to a campus security authority. An institution must record a crime statistic in its annual security report for the calendar year in which the crime was reported to a campus security authority. The institution must also, among other factors, provide a geographic breakdown of the crime statistics according to the following categories: (1) On campus; (2) in or on a non-campus building or property; (3) on public property. Further, the required statistics may not include the identification of the victim or the person accused of committing the crime. 34 C.F.R. § 668.46

Noncompliance Summary: *Plaza has not developed procedures for compiling and distributing an annual campus crime report to students, employees, prospective students, and prospective employees.*

As indicated in interviews with institution administrators on 2/28/2012, Plaza lacks standard or procedures for creating and disseminating an annual campus crime report of any type. Institution officials did note that although an annual report is not prepared, pertinent crime statistics are reported to the Department's Integrated Postsecondary Education Data System (IPEDS) website.

It is noted that information concerning crime and security issues appear in Plaza's routine consumer information. For example, a document that Plaza disseminated to all students on October 1, 2011 titled "Students Right to Know" includes the following passage:

"There is a security guard on duty within the shopping center. The back and side parking areas are monitored by security cameras as well as the inside of the institution. Should a problem occur please notify Mr. Hearn, School Director, or Mr. Sparks; they will notify the proper authorities. Night students should notify the instructor on duty that evening. (...) Crimes on Plaza's campus for 2010: Rapes 0, Robberies 0, Burglaries 0, Stolen cars 0..."

However, although the above information is pertinent to an annual security report, the statistics are not complete or correctly defined, there is no reference to 2009 and 2008 crime statistics, and the information is not presented in an overall security report with the other required statements and guidance.

Required Action Summary: *By October 1, 2012, Plaza must publish a 2012 campus security report that includes all required information, and disseminate the report to all current students and employees. Plaza must also make the report available to all prospective students and employees. A copy of this campus security report, as well as a detailed discussion of how it was disseminated to students and employees, must be included with Plaza's response.*

Additionally, Plaza must develop and implement campus security report dissemination procedures to ensure that all enrolled students and current employees receive copies of campus security reports as they are published. A discussion of these revised procedures should accompany Plaza's response to this report.

Plaza's Response: *In its response, Plaza concurred with the finding and stated that it published and distributed a compliant 2012 ASR, as directed in the program review report. Management asserted that campus safety policies as well as an internal procedure for dissemination of the ASR were developed and implemented. In addition, Plaza submitted a copy of the 2012 ASR and a copy of the e-mail showing that the report was distributed to students and employees in support of its claims. Specifically, Plaza stated that "an email system was implemented to ensure that a notification regarding this report is sent to every student and staff member by October 1 of each year."*

Final Determination: As a result of the violation referenced above, Plaza would have normally been required to review and revise its policies and procedures for preparing, publishing, and distributing its ASR. In addition, Plaza would have been directed to use those new policies as a guide for developing a complete ASR and to submit it and its policies to the Department for approval. Finally, Plaza would have been required to distribute the new ASR to its current students and employees and provide evidence of that distribution to the Department.

However, as Plaza ceased participation in the Title IV, HEA programs effective September 15, 2014, no policy changes or enhancements to its ASR or its campus security operations will be required by the Department at this time. Notwithstanding this determination, Plaza officials are reminded that the exceptions identified in this finding constitute serious violations of the *Clery Act* that by their nature cannot be cured. As such, Plaza is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval.

Finding 20. *Failure to Comply with Drug and Alcohol Abuse Education and Prevention Program Requirements*

Citation Summary: *The Drug-Free Schools and Communities Act and the Department's regulations requires each institution to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.*

On an annual basis, the institution must provide, at a minimum, the following information in writing to each employee and to each student who is taking one or more classes for any type of academic credit except for continuing education units, regardless of the length of the student's program of study:

- *Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;*
- *A description of the applicable legal sanctions under local, state or federal law for the unlawful possession or distribution of illicit drugs and alcohol;*
- *A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;*
- *A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and,*
- *A clear statement that the institution will impose disciplinary sanctions on students and employees (consistent with local, state, and federal law), and a*

description of these sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct, as defined in federal regulations.

In addition, institutions must conduct a biennial review in order to determine the effectiveness of its drug and alcohol prevention program, and to ensure consistent enforcement of applicable laws, ordinances, and institutional policies for violators. The biennial review materials must be maintained by the institutions and made available to the Department upon request. 34 C.F.R. § 86.100

Noncompliance Summary: Plaza has failed to develop and implement a drug and alcohol abuse education and prevention program.

Required Action Summary: *First, Plaza must develop and implement a drug and alcohol abuse education and prevention program that conforms to federal regulations, including all of the required elements in the Drug-Free Schools and Communities Act. Second, Plaza must conduct a biennial review to measure the program's effectiveness of its drug and alcohol abuse education and prevention program. Third, Plaza must describe the methods and data analysis tools that will be used to determine the effectiveness of the program, and identify the responsible official or office that will conduct the biennial review. Copies of Plaza's drug and alcohol abuse education and prevention program plan, its biennial review, and the policies and procedures it has devised to conduct the review should accompany the institution's response to this report.*

Plaza's Response: In its response, Plaza concurred with the finding and stated that it established a Drug and Alcohol Abuse Prevention Program (DAAPP) and submitted a copy of the program plan. Management conceded that the institution did not have a program in place prior to the site visit and therefore, was unable to conduct any internal reviews. Plaza did submit an internal policy and procedure statement that calls for the conduct of a review of the program's effectiveness every two years going forward. Finally, the institution stated it will use the number of disciplinary actions against students and employees for violations of the drug and alcohol policy as factors to determine the program's effectiveness.

Final Determination: Plaza would have normally been required to develop and implement a substantive drug and alcohol abuse prevention program (DAAPP) that included all of the required elements set forth in the Drug-Free Schools and Communities Act (DFSCA) and the Department's Part 86 regulations. In addition, Plaza would have been required to develop procedures for distributing the DAAPP disclosure to all current students enrolled for academic credit and all current employees. Once the new program materials were complete, Plaza would have been required to submit them to the Department for evaluation and approval and then distribute them in accordance with Part 86 regulations. Finally, Plaza would have been required to conduct a biennial review to

measure the effectiveness of its DAAPP and produce a detailed report of findings and recommendations for improvement.

However, as Plaza ceased participation in the Title IV, HEA programs effective September 15, 2014, no policy changes or enhancements to its drug and alcohol programs will be required by the Department at this time. Notwithstanding this determination, Plaza officials are reminded that the exceptions identified in this finding constitute serious violations of the DFSCA that by their nature cannot be cured. As such, Plaza is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval. There is no further action required at this time; however, if the institution were to ever apply for reinstatement, it would have to come into compliance with *Clery Act* and Part 86 provisions as a precondition of regaining eligibility.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Plaza's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on September 19, 2012 is attached as Appendix D.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are included in individual findings, as well as in the summary of liabilities table in Section D of the report.

Finding 1. *Improper Return of Title IV Funds Calculations*

Citation Summary: Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22

When an institution chooses to calculate the treatment of Title IV assistance on a payment period basis for a non-term credit-hour or clock-hour program, but the institution charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. (Again, institutional charges incurred by the student are charges for which the student was responsible that were initially assessed by the institution for the payment period or period of enrollment.)

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period generally are a pro-rated amount of institutional charges for the longer period. However, if an institution has retained Title IV funds in excess of the pro-rated amount to cover institutional charges, then the institutional charges for the payment period are the amount retained.

An institution that charges by the period of enrollment but performs its Return calculation on a payment period basis must determine whether it must enter (1) the prorated amount of all institutional charges, or (2) the amount the institution retained. To do this, first, the institution prorates all institutional charges. Then, the institution determines the amount actually retained. The institution compares the two results and, for the Return calculation, uses the greater of the two amounts. 2011/12 Federal Student Aid Handbook, Volume 5, Chapter 2

Noncompliance Summary: *In two respects, Plaza improperly performed Return of Title IV Funds calculations.*

Inaccurate determination of scheduled hours: *On a systemic basis, Plaza has incorrectly calculated the numbers of scheduled hours in a payment period.*

For example, the financial aid file of student #2 indicates that the student withdrew on 3/24/11, and that Plaza performed a Return calculation on 4/20/11. The Return worksheet reflects that 277.5 clock hours had been scheduled as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 315 clock hours had been scheduled.

Likewise, the financial aid file of student #4 indicates that the student withdrew on 6/25/11, and that Plaza performed a Return calculation on 10/18/11. The Return worksheet reflects that 24 clock hours had been scheduled in the second payment period as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 172.5 clock hours had been scheduled in the second payment period at the time of the withdrawal.

As a further example, the financial aid file of student #7 indicates that the student withdrew on 6/2/11, and that Plaza performed a Return calculation on 8/16/11. The Return worksheet reflects that 169 clock hours had been scheduled in the second payment period as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 172 clock hours had been scheduled in the second payment period at the time of the withdrawal.

Contributing to the issue of the incorrect calculation of scheduled hours is a systemic problem attributed to software. Plaza uses software provided by a third party servicer — FAME of Ft. Lauderdale, Florida—to perform Return of Title IV Funds calculations. A review of several Return calculations disclosed that the software appears to subtract

from its tally of scheduled hours in a payment period any scheduled hours attributable to a new payment period that occur on a day when a student moves from one payment period to the next.

For example, student #7 completed the 450 clock hours in the first payment period of her program on 3/10/11. The 450th clock hour was completed at a point where there still remained three scheduled clock hours in the day of instruction. The remaining scheduled hours were part of the new payment period and should have been counted as such in a Return calculation. However, the software employed by Plaza began counting the number of scheduled clock hours in the new payment period at the beginning of the next day of instruction. Consequently, three scheduled clock hours were omitted from the tally of scheduled hours for the payment period used in the Return calculation.

A representative of the servicer, contacted by the review team on 3/1/12, confirmed that the software is "day-based," and does not include in its tally of scheduled clock hours any scheduled hours in a new payment period that occur on a day when the student moves from the previous payment period to the new one.

Incorrect amount of institutional charges for the payment period: *On a systemic basis, Plaza has miscalculated the amount of Title IV funds the institution retained for institutional charges.*

For example, the financial aid file of student #4 indicates that the student withdrew on 6/25/11, and that the institution performed a Return calculation on 10/18/11. The Return worksheet reflects that the institutional charges for the period were \$7,502—an amount equal to the amount of Title IV aid disbursed to the student during the payment period. Plaza used this figure in the Return calculation with the understanding that it represented the amount of Title IV funds retained for institutional charges.

However, Plaza paid a Title IV credit balance of \$4,106 to the student following the posting of the Title IV funds for the payment period. Consequently, in the payment period in question, the institution retained only \$3,396 in Title IV funds.

In exactly the same circumstances, the financial aid file of student #16 indicates that the student withdrew on 1/18/12, and that Plaza performed a Return calculation on that same date. The Return worksheet reflects that the institutional charges for the period were \$7,502—an amount equal to the amount of Title IV aid disbursed to the student during the payment period. Plaza used this figure in the Return calculation with the understanding that it represented the amount of Title IV funds retained for institutional charges.

However, Plaza paid a Title IV credit balance of \$4,106 to student #16 following the posting of the Title IV funds for the payment period. Consequently, in the payment period in question, the institution retained only \$3,396 in Title IV funds.

During the on-site portion of the program review, Plaza administrators stated that the systemic use of incorrect institutional charges was the result of a problem with computer software. Plaza uses software provided by FAME, their third party servicer, to perform Return of Title IV Funds calculations. The software appears to automatically equate the amount of Title IV funds drawn down during a payment period with the amount of Title IV funds retained for institutional charges. Although the review team contacted a representative of the servicer on 3/1/12 to further clarify the issue, the representative was unfamiliar with the problem.

Required Action Summary: *In response to this finding, Plaza was required to provide comprehensive information for all Title IV recipients who officially or unofficially withdrew during the 2010/11, 2011/12, and 2012/13 award years.*

Plaza was required to engage an Independent Public Accountant (IPA) to test the completed file review. The IPA was required to develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures were provided to Mr. Chaney for approval. The IPA was to apply the Agreed Upon Procedures to test the file reviews completed by Plaza, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions were reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA prepared the report in accordance with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report was submitted with Plaza's response to this PRR.

Additionally, Plaza was required to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future. A copy of these procedures was submitted with Plaza's response to this report.

Plaza's Response: *As required in the program review report, Plaza indicated to reviewers they had engaged an IPA to complete the comprehensive file reconstruction for all Title IV, HEA recipients identified during the 2010-2011, 2011-2012, and 2012-2013 award years who withdrew and therefore, a Return calculation was required to be performed. Plaza included the results of the file reconstruction as part of its response to this finding.*

Additionally, Plaza indicated they had provided copies of the institution's policies and procedures in relation to performing Return of Title IV calculations.

Final Determination: *The Department reviewed the file reconstruction results provided by Plaza which detailed all Title IV, HEA recipients for the 2010-2011, 2011-2012, and 2012-2013 award years who were considered to have Return calculations performed due*

to their withdrawal from the institution. The review disclosed several incorrect returns; however in all cases except for two returns, Plaza returned too much Title IV, HEA aid. The review also disclosed that most of the returns were late. Interest was not calculated on the late returns where Plaza returned more funds than required.

The Department did not establish liabilities for those students in which Plaza did not return the correct amount of Title IV, HEA funds to the appropriate Title IV, HEA program if the net amount of Title IV, HEA funds Plaza returned to all Title IV, HEA funds was greater than or equal to the amount of funds that should have been returned.

The Department has applied its Cost of Funds Calculation (Attachment A) in order to calculate the amounts owed, including interest, to the Department. The interest charges were computed using the cost of funds for Federal Pell Grants and Federal Direct Subsidized Stafford Program published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about the cost of funds liability determination may be found in Appendix B.

Plaza is liable for the incorrect Return of Title IV Funds calculations identified in the reconstruction of the 2010-2011, 2011-2012, and 2012-2013 award years for those students in which Plaza did not return or returned Title IV, HEA funds less than the amount of funds that should have been returned. The total liability includes \$29.00 to the Direct Subsidized Loan program. Student specific liabilities are outlined in Appendix B.

Plaza must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Finding 9. *Conflicting Information*

Citation Summary: *An institution is required to develop adequate systems to ensure the integrity of the information it receives as part of a student's application for federal student aid, regardless of the source of that information. The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. The institution is responsible for reconciling all information received, with one exception: If the applicant dies during the award year, the institution is not required to pursue the resolution of conflicting data. The requirement to resolve discrepant data is separate and distinct from the verification requirements and procedures.*

In determining whether the institution's system for resolving conflicting information is adequate, the Secretary considers whether the institution obtains and reviews:

- (1) All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;*
- (2) Any documents, including any copies of state and federal income tax returns, that are normally collected by the institution to verify information received from the student or other sources, and*
- (3) Any other information normally available to the institution regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other factors relating to the student's eligibility for funds under the Title IV programs. 34 C.F.R. § 668.16(f)*

Noncompliance Summary: *In two instances, Plaza failed to resolve conflicting information relating to a student's enrollment in a Title IV-eligible program.*

Student #6 *The student's financial aid file includes a 2009/10 Institutional Student Information Record (ISIR) indicating that the student was a dependent student with two parents. As of 8/10/09, the date of the ISIR, the student was 21 years of age and did not claim to be an orphan or ward of the court.*

The student's financial aid file also includes a 2010/11 ISIR indicating that as of 6/19/10, the date of the ISIR, the student was 21 years of age and an orphan or ward of the court. Because of the orphan or ward of the court status, the student achieved independent student status and was, therefore, eligible to receive an increased amount of Title IV funds.

However, it is unclear how a student who, at 21 years of age, was not an orphan or ward of the court could less than a year later claim to be an orphan or ward of the court. The financial aid file does not contain any further documentation addressing this instance of conflicting information.

Student #15 *The student's financial aid file includes 2010/11 ISIR dated 7/16/10 indicating that the student had a household size of four. The ISIR also indicates that the student is unmarried and has no dependents other than a child. Meanwhile, the student's admissions file contains an admissions application dated 8/6/10 on which the student has indicated that she has one dependent, a child. It is noted that the Department's definition of a "dependent", as provided on the Free Application for Federal Student Aid (FAFSA), is someone for whom the student provides more than half of their support, and the definition of a "household" includes a student's spouse, a student's children, and any dependents. Consequently, given that the student reported having no dependents other than one child, is unclear how the student could claim achieved a household size of four.*

Required Action Summary: *Plaza was required to review the files of students #3 and #15 and resolve the two instances of conflicting information.*

In the case of student #6, Plaza must either obtain documentation to support the student's claim that she was an orphan or ward of the court, or recalculate the student's Title IV eligibility for the 2010/11 award year using the parent's income figures.

In the case of student #15, Plaza must either obtain documentation to support the student's claim that she had a household size of four in 2010, or recalculate the student's Title IV eligibility for the 2010/11 award year using a household size of two.

If, for either student, the Title IV award changes as a result of the recalculation, Plaza must provide the following information:

- (1) Student's EFC's as a result of the dependency override, organized by award year;*
- (2) Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;*
- (3) Corrected EFC's, organized by award year;*
- (4) Corrected Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;*
- (5) Ineligible award amounts and refunds due the Title IV programs, organized by award year, then Title IV program, then amount;*
- (6) Amount(s) of Title IV funds returned as a result of Return of Title IV Funds calculations, organized first by award year, then by Title IV program, amount, and date of return.*

In the event that Plaza was unable to obtain the necessary supporting calculation and also cannot perform the recalculation of the student's Title IV eligibility because of insufficient information, the institution may be held liable for the full amount of Title IV funds disbursed to the student in the award years in question.

Additionally, Plaza was required to review and, as necessary, revise its internal policies and procedures to ensure that dependency overrides are performed properly and in a timely manner in the future. A copy of these procedures must accompany Plaza's response to this report.

Plaza's Response: Plaza reviewed the files for student #6 and #15. Plaza was able to obtain the information regarding the household size and recalculate the student's EFC, which remained zero. However, Plaza was unable to obtain the information for student #6.

Additionally, Plaza has reviewed and revised its internal policies and procedures to ensure that dependency overrides are performed properly and in a timely manner in the future.

Final Determination: The Department reviewed Plaza's program review response and determined that Plaza failed to provide the required documentation to substantiate the

Title IV, HEA funds provided to student #6. Therefore, Plaza is responsible for returning **\$2,431.00** in Federal Pell Grant funds to the Department for this student. Additionally, Plaza is liable for the cost of funds associated with the improper use of Federal Pell Grant funds. The total cost of funds liability due to the Department as a result of the failure to return Federal Pell Grant funds is **\$54.00** (\$53.69 in Federal Pell Grant interest, *rounded*). The interest charges were computed using the cost of funds for Federal Pell Grants and Federal Direct Subsidized Stafford Program published in the Federal Register by the Department of the Treasury, effective from the date of disbursement to the date of this determination. Detailed information about the cost of funds liability determination may be found in Appendix B.

Plaza must notify all students and/or borrowers in writing regarding payments made on their behalf. This notification must include the amount and date of the payments.

Finding 14. *Ineligible Direct Loan Disbursement*

Citation Summary: *A student becomes ineligible to receive Direct Loan funds on the date that the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended. 34 C.F.R. § 668.164(g)(1)*

Noncompliance Summary: *In one instance, a student who was no longer enrolled at Plaza received a Subsidized Direct Stafford Loan.*

Student #5 *The financial aid file indicates that the student completed Plaza's 1500-clock hour Cosmetology program on June 29, 2011. Following the student's graduation, a Subsidized Direct Stafford Loan in the amount of \$2,366 was originated by the institution on 7/8/11. The student signed the Master Promissory Note on 7/13/11, and the loan was disbursed to the student's account on 7/20/11.*

Required Action Summary: *Plaza was required to return the full amount of the Subsidized Direct Stafford Direct Loan disbursed to student #5. Instructions for repayment of the liability will be included in the Department's FPRD.*

Additionally, Plaza was required to review and, as necessary, revise its internal policies and procedures to ensure that loans are not originated after students have ceased attendance. A copy of these updated policies and procedures should accompany Plaza's response.

Plaza's Response: *Plaza agreed with the finding and provided copies of its revised policies and procedures in relation to the origination of student loans.*

Final Determination: Plaza incorrectly provided Federal Direct Subsidized Loan funds to the student referenced in the PRR above.

The total amount of Federal Direct Loan funds (subsidized) improperly disbursed to the student during the 2010-2011 award year is \$2,366.00. The estimated actual loss to the Department that has resulted or will result from this ineligible loan is based on the most recent sector default rate available for institutions such as Plaza. As a result, the estimated actual loss that Plaza must pay to the Department for the ineligible loan is **\$163.00** (\$162.62, rounded). A copy of the results of the calculation is included as Appendix B.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows.

Liabilities	Federal Pell Grant (Closed Award Year)	Direct Loan	EALF Direct Loan	
Finding #1		\$29.00		
Finding #9	\$2,431.00			
Finding #14			\$163.00	
Subtotal 1	\$2,431.00	\$29.00	\$163.00	
Interest/SA	\$54.00			
Subtotal 2	\$54.00			
TOTAL	\$2,485.00	\$29.00	\$163.00	
Payable To:				Totals
Department	\$2,485.00	\$29.00	\$163.00	\$2,677

Estimated Actual Loss (EAL):

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on the most recent sector default rate available for institutions such as Plaza.

The total amount of Direct Loan that Plaza improperly disbursed during the **2010-2011** award year for Finding 14 is **\$2,366.00**. The total estimated actual loss that Plaza must pay to the Department for the ineligible loan is **\$163.00**. Copy of the result of this calculation is included in Appendix B.

E. Payment Instructions

Liabilities Owed to the Department \$1,000 or More but Less Than \$100,000

Plaza owes to the Department **\$2,677**. Payment must be made by forwarding a check made payable to the "U.S. Department of Education" to the following address within 45 days of the date of this letter:

U.S. Department of Education
P.O. Box 979026
St. Louis, MO 63197-9000

Remit checks only. Do not send correspondence to this address.

Payment must be made via check and sent to the above Post Office Box. Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if necessary).

The following identification data must be provided with the payment:

Amount: \$2,677
DUNS: 030431720
TIN: 621015610
Program Review Control Number: 201220727814

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. Plaza is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to Plaza's account representative.

If full payment cannot be made within 45 days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, Plaza has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due Plaza from the Federal Government. **Plaza may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, Plaza must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans

William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

Direct Loan Closed Award Years (Request Extended Processing)

Finding: 1

Appendix: B

Plaza must repay the following Direct Loan liabilities:

DL Closed Award Year		
Amount (Principal)	Amount (Interest)	Award Year
\$29.00	\$0	2011-2012
Total Principal	Total Interest	
\$29.00	\$0	

The disbursement record for each student identified in the appendix listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the/these appendix/appendices. A copy of the

adjustment to each student's COD record must be sent to John Nading **within 45 days of the date of this letter.**

Request Extended Processing

COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, Plaza must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

Direct Loan Estimated Actual Loss

Finding: 14

Appendix: B

DL Estimated Actual Loss	
Amount	Award Year
\$163.00	2010-2011
Total	
\$163.00	

Plaza must pay the amount reflected above in Direct Loan estimated loss liabilities for the award year(s) reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

Liabilities Owed to the Department in the case of Title IV Grants

Federal Pell - Closed Award Year

Finding: 9

Appendix: B

Plaza must repay:

Federal Pell Grant Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$2,431.00	\$54.00	Federal Pell Grant	2010-2011
Total Principal	Total Interest		
\$2,431.00	\$54.00		

The disbursement record for each student identified in the appendix to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via check, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to John Nading within 45 days of the date of this letter.



Prepared for
Plaza Beauty School

OPE ID 01044700
PRCN 201220727814

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division – Kansas City

Program Review Report

September 19, 2012

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A. Institutional Information

Plaza Beauty School
4682 Spottswood Avenue
Memphis, TN 38117-4822

Type: Proprietary

Highest Level of Offering: Non-degree, One year

Accrediting Agency: National Accrediting Commission of Cosmetology Arts and Sciences (NACCAS)

Current Student Enrollment: 161 (2011/12)

Percentage of Students Receiving Title IV: 92 percent (2011/12)

Title IV Participation (G5):

2011/12 Award Year

Federal Pell Grant Program	\$562,842
Federal Direct Loan Program	\$867,939

Default Rate FFEL/DL:	2009	13.2 percent
	2008	10.1 percent
	2007	8.5 percent

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Plaza Beauty School (Plaza) from February 27, 2012 to March 1, 2012. The review was conducted by Mr. Roy Chaney and Ms. Jenny Hendrickson.

The focus of the review was to determine Plaza's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Plaza's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2010/11 and 2011/12 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 25 files were selected based on the existence of Title IV credit balances or Title IV disbursement issues. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Plaza's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Plaza of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Plaza to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Improper Return of Title IV Funds Calculations

Citation: Federal regulations state that when a recipient of Title IV funds withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must perform a Return of Title IV Funds calculation to determine the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date. The calculation should incorporate all of the elements of a Return of Title IV Funds calculation identified in pertinent Federal regulations. 34 C.F.R. § 668.22

When an institution chooses to calculate the treatment of Title IV assistance on a payment period basis for a non-term credit-hour or clock-hour program, but the institution charges for a period longer than the payment period (most likely the period of enrollment), there may not be a specific amount that reflects the actual institutional charges incurred by the student for the payment period. (Again, institutional charges incurred by the student are charges for which the student was responsible that were initially assessed by the institution for the payment period or period of enrollment.)

When a student is charged for a period longer than a payment period, the institutional charges incurred by the student for the payment period generally are a pro-rated amount of institutional charges for the longer period. However, if an institution has retained Title IV funds in excess of the pro-rated amount to cover institutional charges, then the institutional charges for the payment period are the amount retained.

An institution that charges by the period of enrollment but performs its Return calculation on a payment period basis must determine whether it must enter (1) the prorated amount of all institutional charges, or (2) the amount the institution retained. To do this, first, the institution prorates all institutional charges. Then, the institution determines the amount actually retained. The institution compares the two results and, for the Return calculation, uses the greater of the two amounts. *2011/12 Federal Student Aid Handbook*, Volume 5, Chapter 2

Noncompliance: In two respects, Plaza improperly performed Return of Title IV Funds calculations.

Inaccurate determination of scheduled hours: On a systemic basis, Plaza has incorrectly calculated the numbers of scheduled hours in a payment period.

For example, the financial aid file of student #2 indicates that the student withdrew on 3/24/11, and that Plaza performed a Return calculation on 4/20/11. The Return worksheet reflects that 277.5 clock hours had been scheduled as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 315 clock hours had been scheduled.

Likewise, the financial aid file of student #4 indicates that the student withdrew on 6/25/11, and that Plaza performed a Return calculation on 10/18/11. The Return worksheet reflects that 24 clock hours had been scheduled in the second payment period as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 172.5 clock hours had been scheduled in the second payment period at the time of the withdrawal.

As a further example, the financial aid file of student #7 indicates that the student withdrew on 6/2/11, and that Plaza performed a Return calculation on 8/16/11. The Return worksheet reflects that 169 clock hours had been scheduled in the second payment period as of the date of the student's withdrawal. However, a review of institutional attendance records reflects that 172 clock hours had been scheduled in the second payment period at the time of the withdrawal.

Contributing to the issue of the incorrect calculation of scheduled hours is a systemic problem attributed to software. Plaza uses software provided by a third party servicer — FAME of Ft. Lauderdale, Florida—to perform Return of Title IV Funds calculations. A review of several Return calculations disclosed that the software appears to subtract from its tally of scheduled hours in a payment period any scheduled hours attributable to a new payment period that occur on a day when a student moves from one payment period to the next.

For example, student #7 completed the 450 clock hours in the first payment period of her program on 3/10/11. The 450th clock hour was completed at a point where there still remained three scheduled clock hours in the day of instruction. The remaining scheduled hours were part of the new payment period and should have been counted as such in a Return calculation. However, the software employed by Plaza began counting the number of scheduled clock hours in the new payment period at the beginning of the next day of instruction. Consequently, three scheduled clock hours were omitted from the tally of scheduled hours for the payment period used in the Return calculation.

A representative of the servicer, contacted by the review team on 3/1/12, confirmed that the software is "day-based," and does not include in its tally of scheduled clock hours any scheduled hours in a new payment period that occur on a day when the student moves from the previous payment period to the new one.

Incorrect amount of institutional charges for the payment period: On a systemic basis, Plaza has miscalculated the amount of Title IV funds the institution retained for institutional charges.

For example, the financial aid file of student #4 indicates that the student withdrew on 6/25/11, and that the institution performed a Return calculation on 10/18/11. The Return worksheet reflects that the institutional charges for the period were \$7,502—an amount equal to the amount of Title IV aid disbursed to the student during the payment period. Plaza used this figure in the Return calculation with the understanding that it represented the amount of Title IV funds retained for institutional charges.

However, Plaza paid a Title IV credit balance of \$4,106 to the student following the posting of the Title IV funds for the payment period. Consequently, in the payment period in question, the institution retained only \$3,396 in Title IV funds.

In exactly the same circumstances, the financial aid file of student #16 indicates that the student withdrew on 1/18/12, and that Plaza performed a Return calculation on that same date. The Return worksheet reflects that the institutional charges for the period were \$7,502—an amount equal to the amount of Title IV aid disbursed to the student during the payment period. Plaza used this figure in the Return calculation with the understanding that it represented the amount of Title IV funds retained for institutional charges.

However, Plaza paid a Title IV credit balance of \$4,106 to student #16 following the posting of the Title IV funds for the payment period. Consequently, in the payment period in question, the institution retained only \$3,396 in Title IV funds.

During the on-site portion of the program review, Plaza administrators stated that the systemic use of incorrect institutional charges was the result of a problem with computer software. Plaza uses software provided by FAME, their third party servicer, to perform Return of Title IV Funds calculations. The software appears to automatically equate the amount of Title IV funds drawn down during a payment period with the amount of Title IV funds retained for institutional charges. Although the review team contacted a representative of the servicer on 3/1/12 to further clarify the issue, the representative was unfamiliar with the problem.

Required Action: In response to this finding, Plaza must provide comprehensive information for all Title IV recipients who officially or unofficially withdrew during the 2010/11, 2011/12, and 2012/13 award years. Plaza must identify and review the files of all Title IV recipients for whom a Return calculation was performed or should have been performed in any of the three award years. For Returns that are found to have been paid late, not paid, improperly paid, improperly calculated, or not calculated, Plaza must provide the following information:

- (1) A spreadsheet that contains, for each Title IV recipient who officially or unofficially withdrew, the following information:
 - (a) Student's last name, first name;
 - (b) Student's Social Security number;
 - (c) Student's last date of attendance;
 - (d) Student's withdrawal date;

- (e) The date that Plaza determined that the student withdrew;
- (f) The date that the original Return was calculated;
- (g) The amount of Title IV funds returned, if applicable (organized by Title IV program);
- (h) The date(s) the Return(s) were made (organized by Title IV program);
- (i) Amount of post-withdrawal disbursement (PWD), if applicable;
- (j) Title IV program from which PWD was made;
- (k) Date PWD was paid;
- (l) Date of corrected Return of Title IV Funds calculation, if applicable;
- (m) Corrected amount of Return, if applicable;
- (n) Difference between original and corrected Return, organized by Title IV program;
- (o) Title IV program(s) to which corrected Return should be made, if applicable;
- (p) Amount of corrected PWD that should be made, if applicable;
- (q) Title IV program from which corrected PWD should be made, if applicable.

The spreadsheet should be organized first by award year, then by individual student. The spreadsheets should be compiled in an Excel spreadsheet program and submitted in CD-ROM format;

- (2) A copy of the complete original Return of Title IV Funds calculation worksheet for each Title IV recipient who withdrew in the 2010/11, 2011/12, an 2012/13 award years (Plaza must identify calculations that were first performed as a result of the PRR);
- (3) A copy of the complete corrected Return of Title IV Funds calculation, if applicable;
- (4) A copy of all pertinent student account cards for the Returns identified above. The account card should reflect the disbursements included in the Return calculation as well as the return of the Title IV funds, if applicable;
- (5) Legible copies of all audit trail documentation (i.e. wire transfer records on bank statements, institutional drawdown and refund reports, screen prints of Common Origination and Disbursement [COD] screens with pertinent detail information) to support the return of the funds to the Title IV accounts. The documentation must clearly identify the amount of the Return for the individual in question. If a Return was repaid to the Title IV programs by check, then a legible copy of the cancelled check, front and back, must be submitted;
- (6) A copy of Plaza's official withdrawal form (or other official withdrawal documentation) for each Title IV recipient who officially withdrew, with the official date of withdrawal notated.
- (7) Copies of all pertinent attendance records supporting Plaza's determination of the student's last date of attendance.
- (8) In cases where a post-withdrawal disbursement was calculated, copies of documentation establishing that the post-withdrawal disbursement was offered to the student or parent, and the student or parent's response to that offer. In cases

where no such documentation is necessary, Plaza must provide documentation indicating that the student, or parent in the case of a PLUS loan, was notified that a post-withdrawal disbursement was made on their behalf, the amount of the disbursement, and the date that it occurred;

- (9) For unearned Title IV aid that is required to be returned by a student, copies of all supporting documentation establishing that Plaza contacted the student and made appropriate repayment arrangements, as outlined in Federal regulations.

The Return of Title IV Funds spreadsheets discussed above should be compiled in an Excel spreadsheet program and submitted in CD-ROM format in the following manner:

Award year	Student's last name, first name	SSN	Last date of attendance	Withdrawal date	Date of determination
2010/11	Doc, Jane	***	6/20/11	6/20/11	6/24/11
" "	Doc, Jill	"	" "	" "	" "
" "	" "	"	" "	" "	" "

(continued)

Date Return calculation performed	Amount of Return, if applicable	Title IV program	Date Return was made	Amount of PWD, if applicable	PWD program
6/25/11	\$2,000	DL Unsub	7/6/11	n/a	n/a
" "	\$1,356	DL Sub	7/6/11	" " "	" "
" "	\$312	Pell	7/4/11	" " "	" "

(continued)

Date PWD paid	Date of corrected Return calculation, if applicable	Corrected amount of Return, if applicable	Difference between original and corrected calculation	Title IV program	Amount of corrected PWD, if applicable
n/a	6/24/11	\$2,000	\$0	DL Unsub	n/a
" "	" "	\$1,356	\$0	DL Sub	" "
" "	" "	\$517	\$205	Pell	" "

(continued)

PWD program
n/a
" "
" "

The following abbreviations should be used in the spreadsheet to indicate the various programs: Pell, FSEOG, FWS, Perk, FFEL Sub, FFEL Unsub, FFEL PLUS, DL Sub, DL Unsub, DL PLUS, and ACG.

In responding to this finding, Plaza must engage an Independent Public Accountant (IPA) to test the completed file review. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Mr. Chaney within 30 days of the institution's receipt of this Program Review Report (PRR). Mr. Chaney will review the procedures, indicate if any changes are needed, and approve the procedures. The IPA must apply the Agreed Upon Procedures to test the file reviews completed by Plaza, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in the PRR. The IPA must prepare the report in accordance

with the American Institute of Certified Public Accountants (AICPA) Attestations Standards. The IPA's report must be submitted with Plaza's response to this PRR.

Additionally, Plaza must review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed properly and in a timely manner in the future. A copy of these procedures must accompany Plaza's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the Final Program Review Determination (FPRD) letter. The institution must not attempt to repay any funds owed to the Department until the FPRD is issued. Plaza is allowed, however, to make PWDs to students when such a disbursement falls within the normal six-month window for making PWDs.

Finding 2. Late Returns of Title IV Funds

Citation: Federal regulations state that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance (not including Federal Work Study or the non-Federal share of FSEOG awards if an institution meets its FSEOG matching share by the individual recipient method or the aggregate method) that the student earned as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance, or both, that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be returned to the Title IV programs. If the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. 34 C.F.R. § 668.22(a)

Federal regulations require an institution to calculate and return Title IV refunds no later than 45 days after the date of the institution's determination that the student withdrew 34 C.F.R. § 668.22(j)

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days after the student's last date of attendance as determined by the institution from its attendance

records. The institution is *not* required to administratively withdraw a student who has been absent for 14 days. However, after 14 days, it is expected to have determined whether the student intends to return to classes or to withdraw. In addition, if the students eventually determined to be a withdrawal, the end of the 14-day period begins the timeframe for completing a Return calculation.

This requirement does not affect a student's withdrawal date. At an institution that is required to take attendance, a student's withdrawal date is always the last date of attendance as determined by the institution from its attendance records. *2010/11 Federal Student Aid Handbook*, Volume 5, Chapter 2

Noncompliance: In five of 23 2010/11 and 2011/12 Return of Title IV Funds calculations reviewed, Plaza failed to make the necessary Returns within the required time frame.

Student #1 The financial aid file indicates that the student failed to return from a leave of absence on 2/2/11 and, consequently, was withdrawn from her program as of 12/1/10, the last date of attendance before the LOA began. Plaza performed a Return of Title IV Funds calculation on 2/15/11—thirteen days after the student failed to return from the LOA. The Return calculation indicated that the student had completed more than 60 percent of the payment period and, therefore, no return of funds was necessary.

However, because Plaza failed to collect any documentation relating to a request for or an approval of an LOA for the student (see Finding 12), the 45-day Return period began, at the latest, on 12/15/10—14 days after the student's last date of attendance on 12/1/10. Consequently, the Return calculation was performed 17 days late.

Student #4 The financial aid file indicates that the student failed to return from a leave of absence on 10/5/11 and, consequently, was withdrawn from her program as of 6/25/11, the last date of attendance before the LOA began. Plaza determined the student withdrew and performed a Return of Title IV Funds calculation on 10/18/11—thirteen days after the student failed to return from the LOA. The Return calculation identified a Return of \$2,985 in Unsubsidized Direct Stafford Loan funds, \$1,742 in Subsidized Direct Stafford Loan funds, and \$2,377.39 in Pell Grant funds. The funds were removed from the student's account card on 1/17/12. The Department's Common Origination and Disbursement System (COD) indicates that the loan funds were returned on 1/19/12—48 days late. The Pell Grant funds were returned to the COD system on 1/20/12—49 days late.

Student #7 The financial aid file indicates that the student failed to return from a leave of absence on 8/3/11 and, consequently, was withdrawn from her program as of 6/2/11, the last date of attendance before the LOA began. Plaza determined that the student withdrew and performed a Return of Title IV Funds calculation on 8/16/11—thirteen days after the student failed to return from the LOA. The Return calculation identified a Return of \$2,949.65 in Unsubsidized Direct Stafford Loan funds. The funds were removed from the student's account card on 10/6/11. The Department's COD system indicates that the Return was made on 10/27/11—27 days late.

Student #8 The financial aid file indicates that the student failed to return from a leave of absence on 7/20/11 and, consequently, was withdrawn from her program as of 5/20/11, the last date of attendance before the LOA began. Plaza determined that the student withdrew and performed a Return of Title IV Funds calculation on 8/30/11—102 days after the student failed to return from the LOA, and 88 days beyond the 14-day period for identifying a withdrawal. The Return calculation identified a Return of \$1,000 in Subsidized Direct Stafford Loan funds and \$938 in Pell Grant funds. The funds were removed from the student's account card on 10/25/11. The Department's COD system reflects that the loan funds were returned on 10/27/11—145 days late. The Pell Grant funds were returned on 10/31/11—149 days late.

Student #10 The financial aid file indicates that the student failed to return from a leave of absence on 11/15/11 and, consequently, was withdrawn from her program as of 9/7/11, the last date of attendance before the LOA began. Plaza performed a Return of Title IV Funds calculation on 11/29/11. The Return calculation identified a Return of \$933 in Unsubsidized Direct Stafford Loan funds, \$1,742 in Subsidized Direct Stafford Loan funds, and \$1,183.60 in Pell Grant funds. The funds were removed from the student's account card on 1/17/12. The Department's COD system indicates that the loan funds were returned on 1/19/12—six days late. The Pell Grant funds were returned on 1/20/12—seven days late.

Required Action: The previous finding requires Plaza to review the records of all Title IV recipients who officially or unofficially withdrew during the 2010/11, 2011/12, and 2012/13 award years and identify any late, unmade, improperly calculated, or uncalculated Returns of Title IV Funds. That finding also requires Plaza to review and revise its internal policies and procedures to ensure that Returns of Title IV Funds are performed in a timely manner for all students in the future. Consequently, no additional reconstructive corrective action will be required as a result of this finding at this time.

Finding 3: Failure to Offer Post-Withdrawal Disbursement

Citation: Federal regulations state that if the total amount of Title IV grant or loan assistance, or both, that the student earned is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement. If outstanding charges exist on the student's account, the institution may credit the student's account up to the amount of outstanding charges with all or a portion of any grant funds and loan funds that make up the post-withdrawal disbursement. The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The

institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

The institution must offer to disburse directly to a student, or parent in the case of a parent PLUS loan, any amount of a post-withdrawal disbursement of loan funds that is not credited to the student's account.

The institution must provide within 30 days of the date of the institution's determination that the student withdrew, a written notification to the student, or parent in the case of parent PLUS loan, that—

- (1) Requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account, identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds;
- (2) Requests confirmation of any post-withdrawal disbursement of loan funds that the student, or parent in the case of a parent PLUS loan, can receive as a direct disbursement, identifying the type and amount of these Title IV funds and explaining that the student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds;
- (3) Explains that a student, or parent in the case of a parent PLUS loan, who does not confirm that a post-withdrawal disbursement of loan funds may be credited to the student's account may not receive any of those loan funds as a direct disbursement unless the institution concurs;
- (4) Explains the obligation of the student, or parent in the case of a parent PLUS loan, to repay any loan funds he or she chooses to have disbursed; and
- (5) Advises the student, or parent in the case of a parent PLUS loan, that no post-withdrawal disbursement of loan funds will be made, unless the institution chooses to make a post-withdrawal disbursement based on a late response, if the student or parent in the case of a parent PLUS loan, does not respond within 14 days of the date that the institution sent the notification, or a later deadline set by the institution.

An institution must document in the student's file the result of any notification made of the student's right to cancel all or a portion of loan funds or of the student's right to accept or decline loan funds, and the final determination made concerning the disbursement. 34 C.F.R. § 668.22(a)

An institution is permitted to use a student's or parent's authorization for crediting the student's account for educationally related expenses that the institution obtained prior to the student's withdrawal date so long as that authorization meets the cash management requirements for student or parent authorizations. If the institution did not obtain authorization prior to the student's withdrawal, the institution would have to obtain authorization in accordance with the cash management requirements before the institution could credit the student's account for other current charges or for educationally related activities.

An institution must credit the student's account with the post-withdrawal disbursement for current charges within 180 days of the date of determination. An institution must disburse any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. Moreover, the institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew. *2011/12 Federal Student Aid Handbook*, Volume 5, Chapter 2

Noncompliance: In one of 23 2010/11 and 2011/12 Return of Title IV Funds calculations reviewed, Plaza failed to credit Pell Grant funds to a student's account when a post-withdrawal disbursement (PWD) was identified.

Student #18 On the 12/13/11 Return of Title IV Funds calculation worksheet for the student's 12/13/11 withdrawal from the institution, Plaza identified a PWD of \$583.04 in Pell Grant funds. However, although the student's account card identifies a debt balance of \$7,044, the account card does not reflect that Plaza credited the account with the Pell Grant funds. There is also no indication in the financial aid file that the Pell Grant funds were disbursed directly to the student.

Required Action: A previous finding requires Plaza to review the records of all Title IV recipients who officially or unofficially withdrew during the 2010/11, 2011/12, and 2012/13 award years and identify any late, unmade, improperly calculated, or uncalculated Returns. Consequently, no additional reconstructive action will be required as a result of this finding. However, Plaza must review the Department's Title IV refund regulations and revise its own policies and practices to ensure that PWD's are properly managed in the future. A discussion of these revisions should accompany Plaza's response.

Finding 4. Improper Authorization to Hold Title IV Credit Balances

Citation: Federal regulations state that an institution is permitted to hold Title IV credit balances if it obtains a voluntary authorization from the student (or parent, in the case of PLUS).

In obtaining the student's or parent's authorization, an institution—

- (1) May not require or coerce the student or parent to provide that authorization;
- (2) Must allow the student or parent to cancel or modify that authorization at any time; and
- (3) Must clearly explain how it will carry out that activity.

An institution may include two or more of the items that require authorization in one statement. However, each component and term in the authorization must be conspicuous to the reader, and a student (or parent borrower) must be informed that he or she may refuse to authorize any individual item on the statement.

If a student or parent cancels an authorization to hold Title IV funds, the institution must pay those funds directly to the student or parent as soon as possible but no later than 14 days after the institution receives that notice. 34 C.F.R. § 668.165(b)

Notwithstanding any authorization to hold Title IV credit balances obtained from the student (or parent, in the case of PLUS loan funds), an institution must pay any remaining balance on Direct Loan funds by the end of the loan period for which they were awarded, and any remaining other Title IV funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. § 668.165(b)

Noncompliance: In one respect, Plaza's authorization to hold Title IV credit balance funds is incomplete.

Plaza's standard authorization to hold Title IV credit balances does not include the regulatory requirement that the institution agrees to pay any remaining balance on Direct Loan funds by the end of the loan period for which they were awarded, and any Pell Grant funds by the end of the last payment period in the award year for which they were awarded.

Required Action: Plaza must revise all applicable authorizations to reflect that remaining Title IV funds will be paid to the student at the end of the loan period, in the case of Direct Loan funds, or at the end of the last payment period in the pertinent award year, in the case of all other Title IV funds.

A copy of the revised authorization to hold Title IV credit balances must accompany Plaza's response.

Finding 5. Late Payment of Title IV Credit Balance

Citation: Federal regulations state that whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but—

- (1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or
- (2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. § 668.164(c)

An institution may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. An institution is considered to have issued the check on the date that it (1) mails the check to the student or parent, or (2)

notifies the student that the check is available for immediate pickup and provides the specific location.

An institution that is paying a student his or her credit balance with a direct disbursement must pay the student within the 14-day time frame. An institution can, within that 14-day period, do a number of things, including sending a notice to the student that his or her money is available. An institution that does that is considered to have met the 14-day requirement to give the student his or her credit balance, as long as the institution's process complies with the rest of the regulation. That is, the institution must be able to give the student a check when the student comes to the office within the 14-day time frame.

If a student is told (within the 14-day period) to come to the business office to pick up his or her credit balance, the student must be able to leave the business office with the funds in some form (e.g., a check, cash, or an appropriate stored value card), and not be told that a check will be mailed to him or her. An institution may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within this 21-day period, the institution must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or return the funds to the appropriate FSA program.

An institution may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent. Moreover, an institution may establish a policy requiring its students to provide information about an existing bank account or open an account at a bank of the student's choosing as long as this policy does not delay the disbursement of Title IV funds to students. Consequently, if a student does not comply with the institution's policy, the institution must nevertheless disburse the funds to the student either by dispensing cash, for which the institution obtains a signed receipt, or issuing a check. An institution must disburse the credit balance within the regulatory time frame.

Noncompliance: In one of 49 Title IV credit balance payments reviewed, Plaza failed to pay a Title IV credit balance within the required timeframe.

Student #34 The account card indicates that on 4/30/10 \$1,742 in Subsidized Direct Stafford Loan funds and \$1,362 in Unsubsidized Direct Stafford Loan funds was posted to the student's account. Because the amount of Title IV funds applied to the account exceeded the amount of allowable current charges, a Title IV credit balance of \$99 was created as a consequence of the Direct Stafford Loan disbursements. The Title IV credit balance was not paid until 7/26/10—73 days late. The student's financial aid file did not include an authorization to hold Title IV credit balances.

Required Action: Plaza must review and, as necessary, revise its policies and procedures for paying Title IV credit balances to ensure that all such credit balances are paid within the prescribed timeframes. A discussion of the results of Plaza's review of these policies and procedures must accompany the institution's response.

Finding 6. Improper Disbursement of Title IV Funds

Citation: Federal regulations state that, in general, an institution makes a disbursement of Title IV funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with (1) funds received from the Secretary, and (2) institutional funds used in advance of receiving title IV, HEA program funds.

For a student enrolled in an eligible program that measures progress in clock hours and is one academic year or less in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the program and half of the number of weeks of instructional time in the program. The second payment period is the period of time in which the student successfully completes the program or the remainder of the program.

For a student enrolled in an eligible program that is more than one academic year in length —

- (1) For the first academic year and any subsequent full academic year, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the academic year and half of the number of weeks of instructional time in the academic year, and the second payment period is the period of time in which the student successfully completes the academic year;
- (2) For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours, as applicable, in the remaining portion of the program and half of the number of weeks of instructional time remaining in the program, and the second payment period is the period of time in which the student successfully completes the remainder of the program;
- (3) For any remaining portion of an eligible program that is not more than half an academic year, the payment period is the remainder of the program.

If an institution is unable to determine when a student has successfully completed half of the clock hours in a program, academic year, or remainder of a program, the student is considered to begin the second payment period of the program, academic year, or remainder of a program at the later of the date, as determined by the institution, on which the student has successfully completed (1) half of the academic coursework in the program, academic year, or remainder of the program, or (2) half of the number of weeks of instructional time in the program, academic year, or remainder of the program.

An institution must, in general, disburse Title IV funds on a payment period basis. That is, an institution must disburse Title IV funds once each payment period. In the case of Direct Loan funds, if a loan period is more than one payment period, the institution must disburse loan proceeds at least once in each payment period. If a loan period is one

payment period, the institution must make at least two disbursements during that payment period. For a clock hour institution, the institution may not make the second disbursement until the student successfully completes half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period. 34 C.F.R. §§ 668.4, 668.164

Noncompliance: In one instance, Plaza improperly disbursed Title IV funds to a student.

Student #54 Fiscal records indicate that Plaza drew down and disbursed \$2,195 in Subsidized Direct Loan funds and \$100 in Unsubsidized Direct Loan funds on 9/2/10 for this student. The payments represented the first and second disbursements of Direct Loan funds to the student. However, the student's account card reflects only the second disbursement of \$1,097 in Subsidized Direct Stafford Loans and \$50 in Unsubsidized Direct Stafford Loans. The first disbursements of Direct Loan funds remained in Plaza's operating account.

Compounding the problem, at the time of the second disbursement of Direct Loan funds the student needed a further 43 clock hours before she completed the first payment period. Consequently, the student was not eligible to receive a second disbursement of Direct Loan funds at the time the disbursements were made.

Plaza identified the wrongly made second disbursements and returned the Direct Loan funds on 9/21/10. The Department's Common Origination and Disbursement System (COD) reflects that the incorrectly paid second disbursements were returned on 9/23/11 and re-disbursed on 3/8/11.

However, Plaza failed to correctly notate the student's account to reflect the first disbursements of the Direct Loan funds on 9/20/10. Consequently, the excess cash resulting from the drawn down first disbursements was not remedied until 1/2/11, when Plaza recognized the problem and disbursed the funds to the student.

During the on-site portion of the program review, Plaza created an adequate audit trail for the incorrectly managed Direct Loan transactions.

Required Action: Plaza must review and, as necessary revise its policies and procedures for making disbursements of Title IV funds to ensure that all such disbursements are paid correctly and on-time. A discussion of the results of Plaza's review of these policies and procedures must accompany its response.

Finding 7. Federal Funds Not Identified

Citation: Federal regulations state that an institution must maintain Title IV program funds in a bank or investment account that is federally insured or secured by collateral of value reasonably equivalent to the amount of those funds. For each bank or investment

account that includes Title IV program funds, an institution must clearly identify that Title IV program funds are maintained in that account by either—

- (1) Including in the name of each account the phrase “Federal Funds”, or
- (2) Notifying the bank or investment company of the accounts that contain Title IV, HEA program funds and retaining a record of that notice and, except for a public institution, filing with the appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains Federal funds and maintaining a copy of that statement. 34 C.F.R. § 668.163(a)

Noncompliance: The name of Plaza’s bank account used for drawdowns of Direct Loan funds from the Department’s G5 system does not include the exact phrase “Federal Funds” in the account name. Also, Plaza was also unable to establish that it maintains with its bank a notice identifying the funds in the Direct Loan account as “Federal Funds.”

Required Action: Plaza must either revise the name of the bank account it uses for drawdowns of Direct Loan funds to include the exact phrase “Federal Funds,” or make the appropriate notifications to the bank holding the two accounts. A discussion of the measures taken to resolve this finding should accompany Plaza’s response to this report.

Finding 8. Failure to Apply Satisfactory Academic Progress Policy

Citation: Federal regulations state that an institution must have and enforce a satisfactory academic progress (SAP) policy. Such a policy must include the stipulation that for the payment period following the payment period in which the student did not make satisfactory academic progress, the institution may—

- (1) Place the student on financial aid warning, and disburse Title IV, HEA program funds to the student, or
- (2) Place a student directly on financial aid probation. 34 C.F.R. § 668.34(c)(2)

Noncompliance: In one instance, a student who was not making SAP was not put on financial aid warning at the appropriate time, as Plaza’s SAP policy required.

Student #5 Plaza’s policy states that SAP is checked after a student has completed 450, 900, and 1200 clock hours. The student’s financial aid file indicates that she had attended 61.38 percent of her scheduled hours when she completed 1200 clock hours on 3/1/11. Because 61.38 percent attendance is below Plaza’s established SAP minimum of 67 percent, the student should have been placed on financial aid warning at that time, as the institution’s policy requires. However, there is no documentation in the student’s file indicating that the student was placed on a warning status at the 1200-clock hour SAP review.

Instead, copies of two letters included in the student's financial aid file appear to indicate that the student was rendered ineligible to receive Title IV funds at irregular SAP evaluations occurring before and after the 1200-clock hour check. The letters are dated 6/9/10, when the student had completed 1005.25 clock hours, and 3/24/11, when the student had completed 1235.5 clock hours, and they both inform the student that "you are no longer eligible to receive financial aid." Because Plaza eliminated the student's financial aid eligibility at a point other than the established SAP evaluation points, Plaza failed to adhere to its own institutional SAP policy.

It is noted that there is no evidence in the student's financial aid or academic file of a SAP evaluation being performed at either 450 or 1200 clock hours. A SAP evaluation form at 900 hours is signed by the student, the Financial Aid Officer, and Plaza's Director and is located in the student's file. The document reflects that the student was making SAP at 900 hours.

It is also noted that Plaza gives its students a monthly SAP update. For student who are not making SAP in that month, the update includes the statement that the student is no longer eligible to receive financial aid, including Title IV funds. However, because Plaza's written SAP policy indicates that SAP is checked only after a student has completed 450, 900, and 1200 clock hours, the wording of the letter appears to be in conflict with the policy.

Required Action: Plaza must review and, as necessary, revise its policies and procedures for administering its SAP policy to ensure that the policy is consistently and accurately applied ensure SAP evaluations are done at the correct time and evidence of the evaluation and of the student notification are kept. A copy of these updated policies and procedures should accompany Plaza's response.

Additionally, Plaza must review and revise its monthly SAP update letter to reflect their institution's current SAP policies and procedures. A copy of the updated letter should be submitted with Plaza's response.

Finding 9. Conflicting Information

Citation: An institution is required to develop adequate systems to ensure the integrity of the information it receives as part of a student's application for federal student aid, regardless of the source of that information. The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. The institution is responsible for reconciling all information received, with one exception: If the applicant dies during the award year, the institution is not required to pursue the resolution of conflicting data. The requirement to resolve discrepant data is separate and distinct from the verification requirements and procedures.

In determining whether the institution's system for resolving conflicting information is adequate, the Secretary considers whether the institution obtains and reviews:

- (1) All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;
- (2) Any documents, including any copies of state and federal income tax returns, that are normally collected by the institution to verify information received from the student or other sources, and
- (3) Any other information normally available to the institution regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other factors relating to the student's eligibility for funds under the Title IV programs. 34 C.F.R. § 668.16(f)

Noncompliance: In two instances, Plaza failed to resolve conflicting information relating to a student's enrollment in a Title IV-eligible program.

Student #6 The student's financial aid file includes a 2009/10 Institutional Student Information Record (ISIR) indicating that the student was a dependent student with two parents. As of 8/10/09, the date of the ISIR, the student was 21 years of age and did not claim to be an orphan or ward of the court.

The student's financial aid file also includes a 2010/11 ISIR indicating that as of 6/19/10, the date of the ISIR, the student was 21 years of age and an orphan or ward of the court. Because of the orphan or ward of the court status, the student achieved independent student status and was, therefore, eligible to receive an increased amount of Title IV funds.

However, it is unclear how a student who, at 21 years of age, was not an orphan or ward of the court could less than a year later claim to be an orphan or ward of the court. The financial aid file does not contain any further documentation addressing this instance of conflicting information.

Student #15 The student's financial aid file includes 2010/11 ISIR dated 7/16/10 indicating that the student had a household size of four. The ISIR also indicates that the student is unmarried and has no dependents other than a child. Meanwhile, the student's admissions file contains an admissions application dated 8/6/10 on which the student has indicated that she has one dependent, a child. It is noted that the Department's definition of a "dependent", as provided on the Free Application for Federal Student Aid (FAFSA), is someone for whom the student provides more than half of their support, and the definition of a "household" includes a student's spouse, a student's children, and any dependents. Consequently, given that the student reported having no dependents other than one child, it is unclear how the student could claim achieved a household size of four.

Required Action: Plaza must review the files of students #3 and #15 and resolves the two instances of conflicting information.

In the case of student #3, Plaza must either obtain documentation to support the student's claim that she was an orphan or ward of the court, or recalculate the student's Title IV eligibility for the 2010/11 award year using the parent's income figures.

In the case of student #15, Plaza must either obtain documentation to support the student's claim that she had a household size of four in 2010, or recalculate the student's Title IV eligibility for the 2010/11 award year using a household size of two.

If, for either student, the Title IV award changes as a result of the recalculation, Plaza must provide the following information:

- (1) Student's EFC's as a result of the dependency override, organized by award year;
- (2) Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
- (3) Corrected EFC's, organized by award year;
- (4) Corrected Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
- (5) Ineligible award amounts and refunds due the Title IV programs, organized by award year, then Title IV program, then amount;
- (6) Amount(s) of Title IV funds returned as a result of Return of Title IV Funds calculations, organized first by award year, then by Title IV program, amount, and date of return.

In the event that Plaza cannot obtain the necessary supporting calculation and also cannot perform the recalculation of the student's Title IV eligibility because of insufficient information, the institution may be held liable for the full amount of Title IV funds disbursed to the student in the award years in question.

Additionally, Plaza must review and, as necessary, revise its internal policies and procedures to ensure that dependency overrides are performed properly and in a timely manner in the future. A copy of these procedures must accompany Plaza's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities will be provided in the FPRD letter. The institution must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 10. Incomplete Verification

Citation: An institution must require a student selected for verification to verify all of the following items:

- (1) Adjusted Gross Income or income earned from work;

- (2) U.S. Income Tax paid for the base year;
- (3) Number of household members;
- (4) Number of household members who are enrolled as at least half-time in a post-secondary institution;
- (5) Certain untaxed income and benefits. 34 C.F.R. §668.54(2), §668.57(a)

Noncompliance: In one of 30 2010/11 and 2011/12 financial aid files reviewed, the institution did not correctly verify the information submitted by a student who was selected for verification.

Student #11 The financial aid file indicates that the dependent student's 2010/11 ISIR was selected for verification. On the ISIR, the student's parent's untaxed income for tax year 2009 was reported as \$9,476. However, on the 2010/11 Verification Worksheet collected from the student, the figure representing the parent's untaxed income has been whited out, and no alternate figure is provided. Consequently, the amount of the parent's untaxed income for tax year 2009 remains unverified.

Required Action: Plaza is required to complete the verification process for student #11 and resolve the discrepant information regarding the student's parent's untaxed income for tax year 2009. If the verified untaxed income figure is different than the figure originally reported, Plaza will be responsible for recalculating the student's Expected Family Contribution (EFC). If the EFC recalculation results in a change to the student's EFC, Plaza must recalculate the student's award of Title IV funds for the 2010/11 award year and identify all overawards.

Plaza must submit copies of all pertinent documentation resolving the verification issue for student #11 with its response to this report. The FPRD letter will provide Plaza with repayment instructions for any liabilities. The institution must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 11. Improper Dependency Overrides

Citation: Federal law at Section § 480(d) of the HEA states that an institution may certify a student status as independent only if a student—

- (1) is 24 years of age or older by December 31 of the award year;
- (2) is an orphan or ward of the court or was a ward of the court until the age of 18;
- (3) is a veteran of the Armed Forces of the United State;
- (4) is a graduate or professional student;
- (5) is a married individual;
- (6) has legal dependents other than a spouse; or

(7) is a student for whom the institution's financial aid administrator makes a documented determination of independence by reason of other unusual circumstances. 20 U.S.C. § 1087vv(d).

Previously, the statute prescribed the same seven grounds for finding a student to be independent that are present in the law today. [20 U.S.C. §§ 1087vv(d)(2)(A-G)(1987-July 1, 1993).] The only difference in the prior statutory provision was that it included the following additional eighth ground as a basis for a dependency override:

(...) is a single undergraduate student with no dependents who was not claimed as a dependent by his or her parents (or guardian) for income tax purposes for the two calendar years preceding the award year and demonstrates to the student financial aid administrator total self-sufficiency during the two calendar years preceding the award year in which the initial award will be granted by demonstrating annual total resources (including all sources of resources other than parents) of \$4,000.

Congress dropped this eighth ground from the statute in 1992 when it enacted the Higher Education Amendments of 1992, Pub. L. No. 102-325, 106 Stat. 448. Subsequent to the enactment of this provision, the Department issued two Dear Colleague Letters (DCLs) to institutions in October 1992 and in May 1993 explaining the revised provision. The Department's Financial Aid Handbook, published on an annual basis, also provided guidance to institutions regarding dependency overrides. That guidance consistently contained the following statements:

(...) Note that a student's living situation (that is, whether the student lives with his or her parents) does not affect the student's dependency status.

(...) A student's claim that his parents have refused to contribute to his college education isn't automatically grounds for a dependency override. Nor can an institution perform a dependency override solely because the parents are unwilling to provide information on the application or information needed for verification. *Federal Student Aid Handbook*, Student Eligibility, 1999-2000, 2000-2001.

The Department added the following sentence to the existing language on dependency overrides in the 2002/03 edition of the Financial Aid Handbook, which it issued in August 2002: "A student's demonstration of total self-sufficiency does not qualify as unusual circumstances or merit a dependency override." Further, on May 2, 2003, the Department issued a DCL reiterating the statutory provisions and the Department's prior guidance informing institutions of the change in the law. Application and Verification Guide 2002-03, page AVG-28; *Dear Colleague* Letter GEN-03-07.

A financial aid administrator (FAA) may do dependency overrides on a case-by-case basis for students with unusual circumstances. If the FAA determines that an override is appropriate, she must write a statement detailing the determination and must include the statement and supporting documentation in the student's file. None of the conditions

listed below, singly or in combination, qualify as unusual circumstances meriting a dependency override:

- (1) Parents refuse to contribute to the student's education.
- (2) Parents are unwilling to provide information on the FAFSA or for verification.
- (3) Parents do not claim the student as a dependent for income tax purposes.
- (4) Student demonstrates total self-sufficiency.

Unusual circumstances do include (and may cause any of the above conditions) abandonment by parents, an abusive family environment that threatens the student's health or safety, or the student being unable to locate his parents. In such cases a dependency override might be warranted.

The presence of these conditions would not disqualify a student from being an unaccompanied youth who is homeless or self-supporting and at risk of being homeless. Such a student who is too old (i.e., is 22 or 23) to be a "youth" would merit a dependency override.

An aid administrator may override only from dependent to independent (though as suggested earlier, if an independent student receives substantial support from others, an institution may use PJ to adjust the COA or FAFSA data items such as untaxed income).

Documentation is critical to the dependency override process. The documentation must support, and include the reason for, the decision and should in almost all cases originate from a third party with knowledge of the unusual circumstances of the student.

An FAA may, without gathering documentation, use an override that another institution granted in the same award year. However, overrides do not carry over from one year to the next; the FAA must reaffirm each year that the unusual circumstances persist and an override is still justified.

A third party that knows the student's situation—such as a teacher, counselor, medical authority, member of the clergy, prison administrator, government agency, or court—should establish the unusual circumstances. Evidence can be a signed letter or an official document, such as a court order. If third party documentation is truly not available, the institution may—though it is not required to—accept a signed and dated statement from the student or a family member detailing the unusual circumstances. Such a statement should be a last resort. *2012/13 Federal Student Aid Handbook, Application and Verification Guide*

Noncompliance: In one instance, Plaza failed to properly perform a dependency override.

Student #3 The financial aid file indicates that a dependency override was performed for this student for the 2009/10 award year. In performing the override, Plaza obtained signed statements from the student, the student's grandmother, the student's uncle, and a pastor's wife who had knowledge of the student's living arrangements. The statements appear to corroborate that the student's mother experienced mental health issues and was

unable to care for the student. However, three of the signed statements—the ones provided by the student, by the grandmother, and by the uncle - appear to indicate that the student's father was serving in the U.S. Marine Corps at the time the override occurred. The exact nature and extent of the student's contact with the father is not addressed.

It is also noted that document collected to support the dependency override indicate that, as of May 2010, the student maintained health insurance from the Tricare health care program - a type of insurance that provides health benefits exclusively to military personnel, their dependents, and retirees.

The financial aid file indicates that the dependency override was carried forward to the 2010/11 award year.

Required Action: Plaza must review the dependency override performed for student #3 and obtain information relating to the whereabouts of the student's father, and the reason why the father is or was unable to provide support for the student. If Plaza cannot substantiate that the student was eligible to receive a dependency override, the institution must recalculate the student's Title IV awards for the 2009/10 and 2010/11 award years using the father's income and treating the student as dependent.

If the award changes as a result of the recalculation, Plaza must provide the following information:

- (1) Student's EFCs as a result of the dependency override, organized by award year;
- (2) Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
- (3) Corrected EFCs, organized by award year;
- (4) Corrected Title IV aid disbursed, organized first by award year, then by Title IV program, then amount, then dates of disbursement;
- (5) Ineligible award amounts and refunds due the Title IV programs, organized by award year, then Title IV program, then amount;
- (6) Amount(s) of Title IV funds returned as a result of Return of Title IV Funds calculations, organized first by award year, then by Title IV program, amount, and date of return.

In the event that the student is not eligible for a dependency override but Plaza cannot obtain the parent's income figures for the pertinent award years, Plaza may be held liable for the full amount of Title IV funds disbursed to the student for the award years in question.

Additionally, Plaza must review and, as necessary, revise its internal policies and procedures to ensure that dependency overrides are performed properly and in a timely manner in the future. A copy of these procedures must accompany Plaza's response to this report.

Hard copy and electronic files containing PII must be safeguarded as described in the enclosure to the cover letter of this report. Instructions for repayment of any liabilities

will be provided in the FPRD letter. The institution must not attempt to repay any funds owed to the Department until the FPRD is issued.

Finding 12. Improper Leaves of Absence

Citation: Federal regulations state that an institution does not have to treat a leave of absence as a withdrawal if it is an approved leave of absence. A leave of absence is an approved leave of absence if:

- (1) The institution has a formal policy regarding leaves of absence;
- (2) The student followed the institution's policy in requesting the leave of absence;
- (3) The institution determines that there is a reasonable expectation that the student will return to the institution;
- (4) The institution approved the student's request in accordance with the institution's policy;
- (5) The leave of absence does not involve additional charges by the institution;
- (6) The number of days in the approved leave of absence, when added to the number of days in all other approved leaves of absence, does not exceed 180 days in any 12-month period;
- (7) Except for a clock hour or non-term credit hour program, upon the student's return from the leave of absence, the student is permitted to complete the coursework he or she began prior to the leave of absence; and
- (8) If the student is a Title IV, HEA program loan recipient, the institution explains to the student, prior to granting the leave of absence, the effects that the student's failure to return from a leave of absence may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

If a student does not resume attendance at the institution at or before the end of a leave of absence that meets the requirements of this section, the institution must treat the student as a withdrawal. The number of days in a leave of absence is counted beginning with the first day of the student's initial leave of absence in a 12-month period.

An institution's leave of absence policy is a "formal policy" if the policy (1) is in writing and publicized to students, and (2) requires students to provide a written, signed, and dated request, that includes the reason for the request, for a leave of absence prior to the leave of absence. However, if unforeseen circumstances prevent a student from providing a prior written request, the institution may grant the student's request for a leave of absence, if the institution documents its decision and collects the written request at a later date. 34 CFR § 668.22(d)

Noncompliance: In three respects, Plaza has improperly administered leaves of absence for recipients of Title IV funds.

Missing LOA documentation: In one instance, Plaza failed to collect an appropriate LOA request.

Student #1 The financial aid file and attendance records reflect that the student was granted an LOA for the period 12/2/10 through 2/1/11. However, the file does not contain a LOA request or approval of any type. It is noted that the student did not return from the LOA, and that Plaza was required to perform a Return of Title IV Funds calculation for the student. In the absence of a pertinent LOA request, the Return was performed late. (See Finding 2.)

Inadequate LOA documentation—inconclusive reason: In four instances, Plaza failed to properly determine why a student needed an LOA.

Student #4 The financial aid file reflects that the student was granted separate LOA's for the periods 6/28/11 through 7/12/11 and 9/2/11 through 10/4/11. However, in both instances the student's request for an LOA indicated that the reason an LOA was needed was "personal." Consequently, it is unknown what the reasons for the LOA's actually were.

Student #9 The financial aid file reflects that the student was granted an LOA for the period 8/25/11 through 11/15/11. However, the student's request for an LOA indicated only that the need for an LOA was based on "personal reasons." Consequently, it is unknown what the reasons for the LOA actually were.

Student #10 The financial aid file reflects that the student was granted an LOA for the period 4/19/11 through 5/17/11. However, the student's request indicated only that the need for an LOA was based on "personal issues." Consequently, it is unknown what the reasons for the LOA actually were.

Student #17 The financial aid file reflects that the student was granted an LOA for the period 11/10/11 through 1/9/12. However, the student's request for an LOA indicated only that the need for an LOA was based on "personal/home issues/family." Consequently, it is unknown what the reasons for the LOA actually were.

LOA extends past approved end date: In two instances, Plaza allowed a student's LOA to extend beyond the approved LOA period.

Student #8 The financial aid file reflects that the student was granted an LOA for the period 6/2/11 through 7/19/11. However, institutional attendance records reflect that the student's LOA extended from 6/2/11 through 8/16/11. There is no documentation in the file that explains why the LOA was extended 28 days beyond the LOA end date requested by the student. It is noted that the student did not return from the LOA and was withdrawn from Plaza on 8/30/11.

Student #10 The financial aid file reflects that the student was granted an LOA for the period 7/6/11 through 7/23/11. However, institutional attendance records reflect that the student's LOA extended from 7/6/11 through 7/25/11. There is no documentation in the

file that explains why the LOA was extended two days beyond the LOA end date requested by the student.

Required Action: Plaza must review and revise its published institutional LOA policy, as well as its internal LOA procedures, so that leaves of absence are properly documented and monitored in the future. A copy of the revised leave of absence policy, a copy of the revised internal procedures, and a discussion of how Plaza reviewed the policy and what changes were implemented must be included with Plaza's response to this report.

Finding 13. Inadequate NSLDS Enrollment Reporting

Citation: Federal regulations state that an institution shall—

- (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and
- (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days—
 - (a) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that institution, but who has ceased to be enrolled on at least a half-time basis;
 - (b) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that institution, but who failed to enroll on at least a half-time basis for the period for which the loan was intended;
 - (c) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or
 - (d) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address. 34 C.F.R § 682.610(c)

Student enrollment information is extremely important, because it is used to determine if the student is still considered in institution, must be moved into repayment, or is eligible for an in-school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds. *2010/11 Federal Student Aid Handbook*, Volume 2, Chapter 10

Noncompliance: In five of 30 2010/11 and 2011/12 financial aid files reviewed, Plaza failed to report accurate enrollment information to the National Student Loan Data System (NSLDS).

Student #8 The student withdrew from Plaza on 5/20/11. The student's effective date of withdrawal was incorrectly reported to NSLDS as 8/30/11.

Student #10 The student was on a leave of absence but did not return. The student's last date of attendance was 9/7/11. The student's enrollment status as reported to NSLDS was "Leave of Absence" on 1/10/12, even though Plaza determined the student was not returning on 11/29/11.

Student #22 The student's last date of attendance was 1/21/12 but the effective date of withdrawal was reported to NSLDS as 2/4/12.

Student #25 The student's last date of attendance was 1/6/12 but the effective date of withdrawal was reported to NSLDS as 1/7/12. Also, even though this student began attendance on 8/9/11, he was never reported as an enrolled student prior to his withdrawal.

Student #27 The student's last date of attendance was 1/12/12 but the effective date of withdrawal was reported to NSLDS as 1/26/12.

Required Action: Plaza must review the enrollment status of all students who were enrolled at the institution in the 2010/11, 2011/12, and 2012/13 award years and either verify that the listed enrollment status is current, or update the enrollment status to bring it current. Plaza is also required to review its procedures for reporting enrollment status changes to NSLDS and, as necessary, revise them. A discussion of the results of Plaza's review of its 2010/11, 2011/12, and 2012/13 enrollment status reporting and its NSLDS reporting procedures should accompany its response to this report.

Finding 14. Ineligible Direct Loan Disbursement

Citation: A student becomes ineligible to receive Direct Loan funds on the date that the student is no longer enrolled at the institution as at least a half-time student for the period of enrollment for which the loan was intended. 34 C.F.R. § 668.164(g)(1)

Noncompliance: In one instance, a student who was no longer enrolled at Plaza received a Subsidized Direct Stafford Loan.

Student #5 The financial aid file indicates that the student completed Plaza's 1500-clock hour Cosmetology program on June 29, 2011. Following the student's graduation, a Subsidized Direct Stafford Loan in the amount of \$2,366 was originated by the institution on 7/8/11. The student signed the Master Promissory Note on 7/13/11, and the loan was disbursed to the student's account on 7/20/11.

Required Action: Plaza will be required to return the full amount of the Subsidized Direct Stafford Direct Loan disbursed to student #5. Instructions for repayment of the liability will be included in the Department's FPRD.

Additionally, Plaza must review and, as necessary, revise its internal policies and procedures to ensure that loans are not originated after students have ceased attendance. A copy of these updated policies and procedures should accompany Plaza's response.

Finding 15. Failure to Apply Direct Loan Delayed Delivery

Citation: Federal regulations state that if a student is enrolled in the first year of an undergraduate program of study and has not previously received a Direct Loan, an institution may not disburse the proceeds of a Direct Loan until 30 days after the first day of the student's program of study, unless the institution meets the Department's requirements for an exemption from this rule. 34 C.F.R. §§ 668.164(g)(4), 685.303(b)(4)

Noncompliance: In three of 15 2010/11 financial aid files reviewed, Plaza failed to delay the disbursement of the first-time borrower's Direct Stafford Loans.

Student #11 The student began attending Plaza's Cosmetology program on 6/7/11. Her first disbursement of Direct Stafford Loan funds occurred on 6/10/11, three days from her first day of attendance, when it should have occurred thirty days from the student's first day of attendance.

Student #19 The student began attending Plaza's Cosmetology program on 7/12/11. Her first disbursement of Direct Stafford Loan funds occurred on 7/20/11, eight days from her first day of attendance, when it should have occurred thirty days from the student's first day of attendance.

Student #20 The student began attending Plaza's Cosmetology program on 8/9/11. Her first disbursement of Direct Stafford Loan funds occurred on 8/24/11, fifteen days from her first day of attendance, when it should have occurred thirty days from the student's first day of attendance.

It is noted that Plaza was not eligible to receive an exemption from the thirty-day delayed disbursement requirements at any time during the period under review.

Required Action: Plaza officials stated that during the 2010/11 award year they became aware of deficiencies within the institution's internal policies relating to the thirty-day disbursement delay for Direct Stafford Loans, and took steps to bring those policies in line with federal requirements. It is also noted that the program review team found no instances of failure to adhere to the thirty-day disbursement requirements in the 2011/12 file sample.

Plaza must review and, as necessary, revise its internal policies and procedures to ensure that Direct Stafford Loans are properly delayed for first-year, first-time borrowers. A detailed discussion of these of these updated policies and procedures should accompany Plaza's response.

Finding 16. Late Reporting of Gainful Employment Information

Citation: Federal regulations require institutions that participate in the student financial assistance programs to report certain information about students who enrolled in Title IV-eligible educational programs that lead to gainful employment in a recognized occupation (GE Programs). The regulations provide that the Secretary establishes the deadline dates for the reporting by institutions of GE Program information.

A Federal Register notice dated 8/2/11 and disseminated to all proprietary institutions participating in the Title IV programs announced that 11/15/11 was the deadline date for the reporting of GE Program information for students who were enrolled during the 2010/11 award year. While Federal regulations provided that the deadline for institutions to report GE Program information for the 2006/07 through 2009/10 award years was 10/1/11, the 8/2/11 Federal Register notice provided that the Department would continue to accept information pertaining to the earlier award years through 11/15/11, the same date as the reporting date for the 2010/11 award year. *Dear Colleague Letter* GEN-11-10, April 2011; *Electronic Announcement* #15, August 2011

Noncompliance: Plaza failed to report GE Program information to the Department within the required timeframe.

On 12/20/11 the Department notified Plaza by letter that the institution had failed to report the required GE Program information by the published deadline of 11/15/11. In the December letter, Plaza was urged to report the GE Program information as soon as possible but, in any case, no later than 1/20/12.

Departmental records indicate that Plaza submitted the necessary GE Program information in full in January 2012.

Required Action: No corrective action is required from Plaza at this time. However, Plaza must revise its financial aid policies and procedures to ensure that GE program information is reported in a timely manner in the future. A discussion of Plaza's revised policies and procedures should accompany the institution's response to this report.

Finding 17. Unreported Changes to Institutional Information

Citation: Federal regulations stated that an eligible institution must report to the Secretary, in a manner prescribed by the Secretary, certain changes to information relating to the institution within 10 days of the change, including but not limited to changes to—

- (1) Its name, the name of a branch, or the name of a previously reported location.
- (2) Its address, the address of a branch, or the address of a previously reported location.
- (3) The closure of a branch campus or additional location that the institution was required to report to the Secretary.

An institution's failure to inform the Secretary of a change described in paragraph (a) of this section within the time period stated in that paragraph may result in adverse action against the institution. 34 CFR § 600.21

Federal regulations require that an institution report changes to certain information on its approved application. Some changes require the Department's written approval before the institution may disburse the FSA program funds; others do not. In some cases, an institution may report a change when it applies for recertification. When the Department is notified of a change, if further action is needed, it will tell the institution how to proceed, including what materials and what additional completed sections of the electronic application (EAPP) need to be submitted. After receiving the required materials (and depending on the circumstances), the Department will evaluate the changes, approve or deny them, and notify the institution. *2011/12 Federal Student Aid Handbook*, Volume 2, Chapter 5

Noncompliance: In two instances, Plaza failed to notify the Department of changes or corrections to information relating to the institution within the time period required for such notifications.

First, Plaza currently employs a third party servicer—Wright International Student Services (WISS) of Shawnee Mission, Kansas—to perform default management activities related to the institution's participation in the Direct Loan programs. However, as of 3/1/12, the last day of the program review, Plaza had not notified the Department of the institution's contract with WISS.

Second, Plaza currently employs a third party servicer—FAME of Ft. Lauderdale, Florida—to provide software and ongoing software support for performing Return of Title IV Funds calculations. However, as of 3/1/12, the last day of the program review, Plaza had not notified the Department of the institution's contract with FAME.

Required Action: Plaza must submit the addition of the two third part servicers to the Department. The changes must be submitted using the Department's electronic application located on the [Application for Approval to Participate in the Federal Student](#)

Financial Aid Programs website at www.eligcert.ed.gov. A discussion of the changes made should accompany Plaza's response.

Finding 18. Incomplete Consumer Information

Citation: Federal regulations at 34 C.F.R. § 668.41 state that an institution must, on an annual basis, provide direct individual notice to each currently enrolled student about various consumer information items. Such notices may be provided to each student via the U.S. Postal Service, direct mail, or directly to student e-mail addresses. This notice must summarize the information required to be disclosed, provide an electronic Web address where the information can be found, inform a student that he or she is entitled to a paper copy of the information, and inform the student how to request a paper copy. In addition, the notice must be sufficiently detailed to allow students to understand the nature of the disclosures and make an informed decision whether to request the full reports.

These disclosures include information on financial assistance available to students, as described in 34 C.F.R. § 668.42, and information about the institution, as described in 34 C.F.R. § 668.43. Consumer information disclosures also require the release of information regarding the institution's completion or graduation rate, under 34 C.F.R. § 668.45.

Other consumer information disclosures are required by the Higher Education Opportunity Act (Public Law 110-315) (HEOA), reauthorizing the Higher Education Act of 1965, as amended (the HEA). The provisions of the HEOA were effective upon enactment, August 14, 2008, unless otherwise noted in law.

Noncompliance: In nine respects, Plaza has failed to provide consumer information by direct individual notice to currently enrolled students, as required by Title IV law and regulations.

The nine subject areas that Plaza has not developed and disseminated consumer information on include:

- (1) Terms and conditions of the Title IV, HEA loans students receive;
- (2) For each Title IV, HEA program, disseminated information must include the procedures and forms students use to apply, student eligibility requirements, criteria for selecting recipients from the group of eligible applicants, and criteria for determining the amount of student's award;
- (3) Rights and responsibilities of students receiving financial assistance;
- (4) Summary of requirements related to Return of Title IV Funds;
- (5) Institutional policies and sanctions regarding copyright infringement;
- (6) Information on diversity of the student body;

- (7) A net-price calculator on the institution's website;
- (8) Institutional policies on vaccinations;
- (9) Institution's retention rate of certificate-seeking, first-time, full-time undergraduate students provided to current and prospective students; if to a prospective student, provided prior to the student's enrolling or entering into a financial obligation to the institution.

Required Action: Plaza must develop and disseminate consumer information disclosures that include the nine subject areas identified above. A copy of the updated consumer information disclosures, as well as a detailed discussion of how and when Plaza provided the disclosures by direct individual notice to students, must accompany Plaza's response to this report.

Finding 19. Failure to Properly Develop and Distribute Annual Campus Security Report

Citation: By October 1 of each year, the institution must publish and distribute its annual campus security report. It must be distributed to all enrolled students and current employees directly by publications and mailings that include: (1) a statement of the report's availability; (2) a list and brief description of the information contained in the report; (3) the exact electronic address (URL) of the Internet or Intranet Web site at which the report is posted, and (4) a statement saying the institution will provide a paper copy upon request. If an institution chooses to fulfill the distribution requirement by posting the crime report on an Internet or Intranet Web site, an individual notice of such posting must be distributed to each student and current employee. Upon request, an institution must provide its annual campus security report to a prospective student or prospective employee.

In general, Federal regulations require that an annual security report contain:

- (1) Crime statistics, as defined in Federal regulations;
- (2) A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus;
- (3) A statement of current policies concerning security of and access to campus facilities, including campus residences, and security considerations used in the maintenance of campus facilities;
- (4) A statement of current policies concerning campus law enforcement that addresses the enforcement authority of security personnel, encourages accurate and prompt reporting of all crimes to the campus police and the appropriate police agencies, and describes procedures, if any, that encourage pastoral counselors and professional counselors, if and when they deem it appropriate, to inform the persons they are counseling of any procedures to report crimes on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics;

- (5) A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others;
- (6) A description of programs designed to inform students and employees about the prevention of crimes;
- (7) A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities;
- (8) A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws;
- (9) A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws;
- (10) A description of any drug or alcohol-abuse education programs, as required under section 120(a) through (d) of the HEA. For the purpose of meeting this requirement, an institution may cross-reference the materials the institution uses to comply with section 120(a) through (d) of the HEA;
- (11) A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.

When compiling the campus security report an institution must, among other requirements, report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of specific types of crimes that are reported to local police agencies or to a campus security authority. An institution must record a crime statistic in its annual security report for the calendar year in which the crime was reported to a campus security authority. The institution must also, among other factors, provide a geographic breakdown of the crime statistics according to the following categories: (1) On campus; (2) in or on a non-campus building or property; (3) on public property. Further, the required statistics may not include the identification of the victim or the person accused of committing the crime. 34 C.F.R. § 668.46

Noncompliance: Plaza has not developed procedures for compiling and distributing an annual campus crime report to students, employees, prospective students, and prospective employees.

As indicated in interviews with institution administrators on 2/28/12, Plaza has no processes or procedures for creating and disseminating an annual campus crime report of any type. Institution officials did note that although an annual report is not prepared, pertinent crime statistics are reported to the Department's Integrated Postsecondary Education Data System (IPEDS) website.

It is noted that information concerning crime and security issues appear in Plaza's routine consumer information. For example, a document that Plaza disseminated to all students on October 1, 2011 titled "Students Right to Know" includes the following passage:

“There is a security guard on duty within the shopping center. The back and side parking areas are monitored by security cameras as well as the inside of the institution. Should a problem occur please notify Mr. Hearn, School Director, or Mr. Sparks; they will notify the proper authorities. Night students should notify the instructor on duty that evening. (...) Crimes on Plaza’s campus for 2010: Rapes 0, Robberies 0, Burglaries 0, Stolen cars 0...”

However, although the above information is pertinent to an annual security report, the crime statistics are not complete or correctly defined, there is no reference to 2009 and 2008 crime statistics, and the information is not presented in an overall security report with the other required statements and guidance.

Required Action: By October 1, 2012, Plaza must publish a 2012 campus security report that includes all required information, and disseminate the report to all current students and employees. Plaza must also make the report available to all prospective students and employees. A copy of this campus security report, as well as a detailed discussion of how it was disseminated to students and employees, must be included with Plaza’s response.

Additionally, Plaza must develop and implement campus security report dissemination procedures to ensure that all enrolled students and current employees receive copies of campus security reports as they are published. A discussion of these revised procedures should accompany Plaza’s response to this report.

Finding 20. Failure to Provide Drug and Alcohol Abuse Prevention Program

Citation: The Drug-Free Schools and Communities Act and the Department’s regulations requires each institution to certify that it has developed and implemented a drug and alcohol abuse education and prevention program. The program must be designed to prevent the unlawful possession, use, and distribution of drugs and alcohol on campus and at recognized events and activities.

On an annual basis, the institution must provide, at a minimum, the following information in writing to each employee and to each student who is taking one or more classes for any type of academic credit except for continuing education units, regardless of the length of the student’s program of study:

- (1) Standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;
- (2) A description of the applicable legal sanctions under local, state, or federal law for the unlawful possession or distribution of illicit drugs and alcohol;

- (3) A description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
- (4) A description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and
- (5) A clear statement that the institution will impose disciplinary sanctions on students and employees (consistent with local, state, and federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct, as defined in Federal regulations.

In addition, institutions must conduct a biennial review to determine the effectiveness of its drug and alcohol prevention program and to ensure consistent enforcement of applicable laws, ordinances, and institutional policies for violators. The biennial review materials must be maintained by the institution and made available to the Department upon request. 34 C.F.R. § 86.100

Noncompliance: Plaza has failed to develop and implement a drug and alcohol abuse education and prevention program.

Required Action: First, Plaza must develop and implement a drug and alcohol abuse education and prevention program that conforms to federal regulations, including all of the required elements in the Drug-Free School Act.

Second, Plaza must conduct a biennial review to measure the effectiveness of its drug and alcohol abuse education and prevention programs.

Third, Plaza must describe the methods and data analysis tools that will be used to determine the effectiveness of the program, and identify the responsible official or office that will conduct the biennial review.

Copies of Plaza's drug and alcohol abuse education and prevention program plan, its biennial review, and the policies and procedures it has devised to conduct the review should accompany the institution's response to this report.